

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1030 - SB 874

March 29, 2011

SUMMARY OF BILL: Authorizes all students enrolled in a local education agency (LEA) to attend a virtual education program. Authorizes LEAs, a charter school board, and the Department of Education (DOE) to sponsor a virtual school. Requires virtual school students to have access to a sequential curriculum that meets or exceeds the approved curriculum by the State Board of Education, to have 900 hours of learning opportunities each school year, and to be regularly assessed in language arts, math, science, and social studies. Virtual schools are required to provide instructional materials, access to a computer and printer, and an Internet connection. Prohibits virtual schools from giving allotments to families to purchase course materials or programs; however, virtual schools may reimburse families of virtual school students for their Internet connection cost. Requires virtual school teachers to be qualified to teach in Tennessee under current statutes. Virtual schools shall maintain an administrative office in Tennessee. Virtual schools do not have to comply with the statutory maximum class size limits. Authorizes a cyber-based public charter school.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$2,778,600

**Increase Local Expenditures - \$761,200/Recurring*
\$2,646,300/Permissive**

Assumptions:

- The current e4TN program is funded by a federal grant through Title II-D. The current funding for FY10-11 is \$1,804,190 and the current enrollment is 3,646. e4TN offers 34 courses in the Spring 2011 semester. The state currently takes a five percent administrative fee which is \$90,210. According to DOE, the federal grant money will not be received by Tennessee in FY11-12.
- The number of LEAs that will sponsor a virtual school is unknown. The number of enrolling students, the composition of the students taking virtual courses, how the virtual school will operate, and what and how many courses will be offered is also unknown.
- According to the Comptroller's Office which has done research on virtual school programs in other states and Tennessee, the cost per full-time enrolled student ranges from \$5,500 to \$9,000. This is an average of \$7,250.
- Because the federal funding is being terminated in FY11-12, the state and LEAs that sponsor a virtual school will pay for all expenditures associated with a virtual school.

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- It is estimated that 20 percent of the currently enrolled virtual school students or 729 will attend a virtual school in FY11-12 with 50 percent (365) attending a LEA-sponsored virtual school or schools and 50 percent (365) attending a state-run sponsored virtual school. The average per pupil cost will be \$7,250.
- The increase in state expenditures for a virtual school will be \$2,646,250 ($\$7,250 \times 365$). It is estimated that five percent of the state expenditures for a virtual school will be sufficient to administer the program. The total increase in state expenditures will be \$2,778,563 ($\$2,646,250 + \$132,313$).
- The increase in permissive local expenditures will be \$2,646,250 ($\$7,250 \times 365$).
- One virtual charter school will open and approximately 128 students will attend in the first year. BEP money will follow the student and transfer out of the LEA to the public virtual charter school. This amount will be \$5,947 per student. The total amount of the transfer will be \$761,216 ($\$5,947 \times 128$). The LEA will not be able to make up any of the shift in funding since the number of students transferring out will not be great enough in any one classroom or school to reduce on-going operational local expenditures. The LEA will be required to make up the full amount of the shift in funding. The increase in recurring local expenditures will be \$761,216.
- No change in the BEP funding formula.

**Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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